

Message Text

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ACTION ARA-20

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TO SECSTATE WASHDC 4708

C O N F I D E N T I A L SAN JOSE 2755

E.O. 11652: GDS

TAGS: ENRG, ETRD, EIND, CS, US

SUBJECT: UNION TEXAS PETROLEUM'S ALLIED
CHEMICAL MEETING WITH GOCR

REF: SAN JOSE 2712

1. GOCR PETROLEUM EXPERT CARLOS MANUEL CASTILLO
IN BRIEF TELEPHONE CONVERSATION AFTERNOON JULY 31 DESCRIBED
JULY 27 MEETING WITH UNION TEXAS OFFICIALS ON RECOPE
REFINERY PROBLEM ABOUT AS REPORTED IN REFTEL. HE SEEMED
TO FEEL A MAJOR ACCOMPLISHMENT WAS THE APPARENT CHANGE
IN ATTITUDES FROM AN ADVERSARY RELATIONSHIP TO
MORE ONE MF WORKING OUT THINGS TOGETHER IN MUTUAL
INTEREST. HE EMPHASIZED, NEVERTHELESS, THAT THIS MEETING
REPRESENTED NO CHANGE IN POLICY OF GOCR (I.E. GOCR WILL
CONTINUE TO ATTEMPT TO INDUCE RECOPE TO MEET NEEDS OF
COUNTRY, USING LEGAL MEANS, IF NECESSARY).

2. CASTILLO LISTED SPECIFIC ACCOMPLISHMENTS AS FOLLOWS:

A. GOCR AND RECOPE WILL JOINTLY WORK OUT AN
IMPORT PROGRAM INCLUDING CONTINGENCY PLANS TO AVOID
DISRUPTION (CASTILLO SAID RECOPE HAD ALREADY ON ITS
OWN WORKED OUT A CONTINGENCY PLAN FOR SUPPLIES FROM
VENEZUELA AND PANAMA, BUT IMPORTANT NEW ELEMENT
AGREED TO AT MEETING WAS GOCR PARTICIPATION
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IN WORKING

OUT SUCH BACKUP PROGRAMS).

B. UNION TEXAS AGREED RECOPE SHOULD GO AHEAD WITH 1973 INVESTMENT, AND

C. RECOPE AND GOCR WILL JOINTLY WORK OUT 1974 INVESTMENT PLAN.

3. CONCERNING RECOPE'S REQUEST FOR PRICE INCREASE, CASTILLO SAID CATEGORICALLY "EVERYONE IN THE GOVERNMENT KNOWS RECOPE MUST HAVE A PRICE INCREASE AND THEY WILL GET IT". HE SAID THAT THIS INCREASE WOULD BE FORTHCOMING EITHER "THIS WEEK OR NEXT" AND THAT PRESENT THINKING WAS THAT IT WOULD BE BETTER TO DECREE A LARGER INCREASE NOW TO COVER INCREASES IN CRUDE PRICES FOR THE NEXT SEVERAL MONTHS. THE IDEA IS THAT A LARGE INCREASE WOULD BE POLITICALLY EASIER NOW THAN A SMALL ADJUSTMENT CLOSER TO ELECTION DAY. HE GAVE LITTLE IMPORTANCE TO PRESS CRITICISM, PARTICULARLY IN THE DAILY LA REPUBLICA OF MINISTER KOGAN'S WILLINGNESS TO BE FORTHCOMING ON RECOPE'S REQUEST FOR A PRICE INCREASE.

4. IN ADDITIONAL CONVERSATION WITH RECOPE MANAGER COVERSTON ON AUGUST 1, EMBOFF (WHO DID NOT ALLUDE TO CASTILLO CONVERSATION) FOUND LATTER MORE RELAXED THAN HE WAS IMMEDIATELY AFTER JULY 27 MEETING, AND APPARENTLY NOW MORE CONFIDENT THAT THE GOCR WILL GIVE THE REQUESTED PRICE INCREASE. HE SAID THE MATTER WAS BEING STUDIED NOW AND THAT HE HAD BEEN TOLD INCREASE WOULD BE SUBSTANTIAL, I.E. SUFFICIENT TO COVER ANTICIPATED CRUDE PRICE INCREASE IN OCTOBER. HE ADDED THAT RECOPE'S POSITION WITH THE GOCR HAD BEEN STRENGTHENED BY A FINDING THAT BECAUSE OF WORLD MARKET CONDITIONS THE DISTRIBUTORS (E.G. TEXACO, SHELL, CHEVRON, ESSO) ARE IN NO POSITION TO IMPORT REFINED GASOLINE IN QUANTITIES AT A GOOD PRICE.

5. COMMENT: MAJOR ACCOMPLISHMENT OF MEETING IN CASTILLO'S VIEW SEEMED TO BE THE CHANGE IN ATTITUDE ON THE PART OF THE UNION TEXAS OFFICIALS AND AN APPARENT INTEREST IN WORKING THINGS OUT TOGETHER. THIS IS IN LINE WITH GOCR'S POLICY AS DESCRIBED TO US FOR SOME TIME, I.E. THE GOVERNMENT'S INTEREST IN INDUCING RECOPE TO DO MORE RATHER THAN IN CONFIDENTIAL

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FORCING A PULL-OUT. THE GOCR'S APPARENT WILLINGNESS TO BE FORTHCOMING ON THE PRICE INCREASE QUESTION SEEMS TO US TO INDICATE NEEDED REALISM ON THEIR PART AS WELL. VAKY

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